



Minutes

City Council's Finance & Diversity Issues Committee

December 16, 2003

Minutes of the City Council's Finance and Diversity Issue Committee held on December 16, 2003, 10:00 a.m., at the City Council Conference Room, 3rd Floor - Tempe City Hall, 31 E. 5th Street, Tempe, Arizona.

Committee Members Present:

Councilmember Pam Goronkin - Chair
Councilmember Len Copple

City Staff Present:

City Clerk Kathy Matz
Financial Services Manager Jerry Hart
Budget Director Cecilia Robles
Internal Audit Manager Ken Jones
Budget Research Analyst Debbie Bair

Others Present:

Alia Beard Rau, *The Arizona Republic*
Kirsten Searer, *East Valley Tribune*

Councilmember Pam Goronkin called the meeting to order at 10:00 a.m.

Agenda Item 1 – Range Adjustment

Will Manley distributed handouts and summarized regarding the proposed 1% range adjustments:

1. Last year was the first year since 1970 that the City gave no Cost of Living Allowance (COLA). That meant 1/3 of the workforce got no increase in pay because they were topped out in their ranges. The other 2/3 of the workforce got their 5% increase through their ranges.
2. Serious morale issue because employees were hit hard recently: no COLA, significant increase in retirement contribution rates, plus picking up slack from recent retirements/workforce reduction.
3. Proposal while City is in current "financial situation":
 - All yearly raises capped at 5%. No more COLA + range increase.
 - COLA eliminated, replaced with range adjustments.
 - 5% step given in July, same as right now.
 - Range adjustments at mid-fiscal year (Jan/Feb)
 - Cost for first year is \$150K; next year will be \$360K.
 - If economy improves, the policy will change.
 - If Council approves, implementation February 1.

Councilmember Goronkin stated that she supports the idea.

There was **general discussion** regarding: employee reaction, effect of economy on new policy, pay policies of other cities, PD salary issues, range adjustments, employee groups, sales tax revenues improving, and ongoing workforce reduction issues.

CONSENSUS - Staff should put this issue on an IRS agenda for discussion by the full Council.

Agenda Item 2 – Update on Distribution of Proceeds from Long-Term Lease

Jerry Hart distributed handouts and summarized the pros/cons of the 5 proposed options:

1. The lease is scheduled for public hearings before Council on January 8 and 15. Staff would like an IRS discussion on one of those meeting dates.
2. Proceeds will be \$8.7M
3. Staff recommends Option 4: fund Rio Salado Reserve Fund with approximately \$5M of the proceeds; temporarily place remaining proceeds in capital improvement reserve while Council studies further options.

There was **general discussion** regarding: staff's recommendation, lake plans/construction, BLM land restrictions, options, and Council committees currently reviewing this issue.

Councilmember Goronkin stated that she agrees with Option 4. Council needs to take our time, do a careful analysis and then make a recommendation on how to use these funds. Option 4 allows us to protect the RS Reserve Fund, do careful analysis and then re-invest the remainder.

CONSENSUS – The Committee would like an analysis from the City Attorney regarding any restrictions on the BLM land. The Committee recommends Option 4 and staff should bring to the full Council at a January IRS.

Agenda Item 3 – External/Internal Audits Update

Ken Jones gave a brief update on performance/compliance audits and the contract database.

1. Ultimately, the goal is to get Financial Services/City Attorney/Risk Management to include contract provisions for ongoing review/compliance. Hasn't been done in the past.
2. Regarding the IDA, staff is acting as a conduit to continue collecting financial data. The IDA has committed to continuing to provide the information. Staff can't audit the IDA, but will continue to review the financial information the IDA provides.

There was **general discussion** regarding: contract provisions/need for policy, centralized contract administration, ensuring contract compliance, department manager responsibilities for contract compliance, contract database, contract maintenance issues, priority for reviewing contracts in which the City is owed money, final resolution of MAMA/DTC contract issues, light rail property acquisition issues/audit.

CONSENSUS - Staff should provide quarterly, instead of monthly, updates on this topic from now on.

Agenda Item 4 – Performance Benchmarks

Cecilia Robles distributed handouts and summarized history of performance benchmarks:

1. One of the Committee's goals was a review of performance benchmarks and their use in the budget process. Where do we go with this?

2. Staff wants to make sure that the benchmarks are a true/useful measure of a department's service and not just busy work.
3. Comparison with other cities can be difficult, may not measure what's useful to Tempe.

There was **general discussion** regarding: possible sunset of some City programs, performance measures, customer satisfaction surveys, use of results/data, comparison to other cities, and ongoing need/use of benchmarking.

Councilmember Goronkin stated that there is value in performance measures, but the findings must be implemented or it's a waste. Next step should be do understand if our customers are satisfied, department-by-department - different than what we get from overall citizen surveys.

Agenda Item 5 – Preliminary Agenda for Next Meeting

- Long-Range Budget Forecast
- Planned Bond Issuances
- Light Rail Financing, Police Substation Updates
- Financial Policies Review (ongoing)

Meeting adjourned at 11:30 a.m.

Kathy L. Matz
City Clerk